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1st Session

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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON TRADE

WRITTEN COMMENTS ON
H.R. 1724
A BILL TO NORMALIZE U.S. TRADE RELATIONS WITH HUNGARY AND CZECHOSLOVAKIA

AND ON

TRADE AGREEMENTS BETWEEN THE UNITED STATES AND BULGARIA AND THE UNITED STATES AND MONGOLIA

AUGUST 8, 1991

Printed for the use of the Committee on Ways and Means by its staff

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FOR IMMEDIATE RELEASE
THURSDAY, MAY 9, 1991

SUBCOMMITTEE ON TRADE #5
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
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THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON H.R. 1724, A BILL TO NORMALIZE U.S. TRADE RELATIONS WITH HUNGARY AND CZECHOSLOVAKIA

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade is requesting written testimony for the record from all interested parties on H.R. 1724, a bill to normalize U.S. trade relations with Hungary and Czechoslovakia, introduced by Chairman Gibbons, Mr. Crane (R., Ill.), and others. A determination regarding the scheduling of public hearings or the timing of Subcommittee action on this bill will not be made until after the close of the public comment period.

Title IV of the Trade Act of 1974 -- the so-called Jackson-Vanik amendment -- sets forth specific freedom of emigration requirements which must be met, or waived by the President, in order for the President to grant nondiscriminatory, most-favored-nation (MFN) status to a nonmarket economy country. Hungary received MFN status through the annual Presidential waiver process beginning in 1978. In 1989, Hungary became the first country ever declared in full compliance with the Jackson-Vanik requirements and now has MFN status on an open-ended basis as long as it remains in compliance with the Jackson-Vanik conditions. Czechoslovakia was granted MFN status in November 1990, subject to annual Presidential waiver and renewal.

H.R. 1724 would authorize the President to determine that Title IV no longer should apply to Hungary or Czechoslovakia and to extend MFN status to those countries on an unconditional basis. In order to lay the groundwork for such a possibility, the President has directed the U.S. Trade Representative to negotiate with both governments to preserve the commitments now contained in our bilateral trade agreements and to obtain other appropriate commitments relating to such matters as enhanced intellectual property rights protection.

Action by the President under authority of H.R. 1724 to extend unconditional MFN status to Hungary and Czechoslovakia would place those countries on the same footing as virtually all other U.S. trading partners.

(MORE)

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies by the close of business Monday, June 10, 1991, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

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I

102D CONGRESS
1ST SESSION

H. R. 1724

To provide for the termination of the application of title IV of the Trade Act of 1974 to Czechoslovakia and Hungary.

IN THE HOUSE OF REPRESENTATIVES

APRIL 11, 1991

Mr. GIBBONS (for himself and Mr. CRANE) introduced the following bill; which was referred to the Committee on Ways and Means

---

A BILL

To provide for the termination of the application of title IV of the Trade Act of 1974 to Czechoslovakia and Hungary.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. CONGRESSIONAL FINDINGS AND PREPARATORY PRESIDENTIAL ACTION.

(a) CONGRESSIONAL FINDINGS.—The Congress finds that the Czech and Slovak Federal Republic and the Republic of Hungary both have—

(1) dedicated themselves to respect for fundamental human rights;

(2) accorded to their citizens the right to emigrate and to travel freely;

(3) reversed over 40 years of communist dictatorship and embraced the establishment of political pluralism, free and fair elections, and multi-party political systems;

(4) introduced far-reaching economic reforms based on market-oriented principles and have decentralized economic decision making; and

(5) demonstrated a strong desire to build friendly relationships with the United States.

(b) PREPARATORY PRESIDENTIAL ACTION.—The Congress notes that the President in anticipation of the enactment of section 2, has directed the United States Trade Representative to negotiate with the Czech and Slovak Federal Republic and the Republic of Hungary, respectively, in order to—

(1) preserve the commitments of that country under the bilateral commercial agreement in effect between that country and the United States that are consistent with the General Agreement on Tariffs and Trade; and

(2) obtain other appropriate commitments.

SEC. 2. TERMINATION OF APPLICATION OF TITLE IV OF THE TRADE ACT OF 1974 TO CZECHOSLOVAKIA AND HUNGARY.

(a) PRESIDENTIAL DETERMINATIONS AND EXTENSION OF NONDISCRIMINATORY TREATMENT.—Notwithstanding any provision of title IV of the Trade Act of 1974 (19 U.S.C. 2431 et seq.), the President may—

(1) determine that such title should no longer apply to the Czech and Slovak Federal Republic or to the Republic of Hungary, or to both; and

(2) after making a determination under paragraph (1) with respect to a country, proclaim the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of that country.

(b) TERMINATION OF APPLICATION OF TITLE IV.—On and after the effective date of the extension under subsection (a)(2) of nondiscriminatory treatment to the products of a country, title IV of the Trade Act of 1974 shall cease to apply to that country.

O

ANHEUSER-BUSCH COMPANIES

Stephen K. Lambright
Vice President and Group Executive

June 11, 1991

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade
Ways and Means Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to express the full support of Anheuser-Busch for H.R. 1724, to provide for termination of the application of Title IV of the Trade Act of 1974 to Czechoslovakia and Hungary.

Title IV applies special trade rules to countries that have non-market economies or Communist systems. Czechoslovakia and Hungary today are democracies that are moving rapidly to replace centrally-planned command economies with economies that are market-driven and grounded in private enterprise. It is clearly proper for the United States to recognize the changes that have taken place by removing the stigma of Title IV.

Anheuser-Busch supports H.R. 1724 despite a continuing problem in Czechoslovakia regarding the Budweiser trademark. This dispute, which remains unsettled despite areas of negotiations, should not in itself deter the normalization of U.S. - Czechoslovak trade relations. We do count on the continued support of the U.S. Government and the good will of the Government of Czechoslovakia for a prompt and equitable settlement.

We appreciate this opportunity to comment.

Sincerely,

Stephen K. Lambright

Anheuser-Busch Companies, Inc.
Executive Offices
One Busch Place
St. Louis, MO U.S.A. 63118-1852
Telex 447 117 ANBUSCH STL

NMTBA
The Association For Manufacturing Technology

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May 16, 1991

The Honorable Sam M. Gibbons
Chairman
Subcommittee on Trade, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

We wholeheartedly endorse H.R. 1724, a bill to normalize U.S. trade relations with Hungary and Czechoslovakia.

Our association, NMTBA - The Association for Manufacturing Technology (formerly known as The National Machine Tool Builders Association), has worked diligently over the past ten years to enhance mutually beneficial commercial relationships with these trading partners.

As manufacturing capabilities are the keystone of creating wealth for industrialized nations, unconditional MFN status to Hungary and Czechoslovakia would encourage western investments to their capital intensive industries which are so desperately in need of modernization.

Sincerely,

Albert W. Moore
President

AWM:mec
cc: Neil Coughlin

7901 WESTPARK DRIVE, P.O. BOX 1312, McLEAN, VIRGINIA 22102-4269 / PHONE (703) 893-2900 / TLX 353819 / FAX (703) 893-1151

STATEMENT OF
SLOVEX USA INTERNATIONAL CORPORATION
IN SUPPORT OF
H.R. 1724, A BILL TO NORMALIZE
U.S. TRADE RELATIONS WITH THE
CZECH AND SLOVAK FEDERAL REPUBLIC

Slovex USA International Corporation strongly supports H.R. 1724, a bill which, among other things, would authorize the President to normalize trade relations with the Czech and Slovak Federal Republic ("CSFR"). The CSFR is deserving of such treatment having long demonstrated its commitment to freedom of emigration and adherence to international trading rules. Normalization of trade relations would stimulate bilateral trade and encourage U.S. investment in the CSFR. Such economic ties can also be expected to secure and further the important democratic and free-market orientation reforms that have taken place as a result of the "velvet revolution."

Slovex USA is a New York corporation whose primary purpose is to represent Slovak and Czech entities seeking (i) sales of their products in the United States; (ii) technological expertise to modernize production facilities through licensing or joint ventures; and (iii) assistance in obtaining grants or other financing from the United States government agencies involved in promoting United States trade.

Slovex USA works closely with Slovex, the Slovak Society for Foreign Enterprise ("Slovex CSFR"), a non-profit society located in Bratislava, CSFR that was established in December 1989 following the "velvet revolution." Slovex CSFR operates much as a private Chamber of Commerce to support private enterprise. Slovex CSFR has approximately 265 members, including 34 state companies, which represent a workforce of roughly 42,000 individuals. The state member companies are government corporations which desire and expect to be privatized.

Slovex CSFR represents the interest of its members before the legislative bodies of the Federal Government and the Czech and Slovak State Governments in legislation affecting its members, particularly legislation regarding the privatization of

government corporations. Slovex CSFR also provides educational and other services that are requested by its members. Over the last several months, the CSFR has taken several steps to enhance its bilateral trade relationship with the United States. These efforts, outlined below, support enactment of H.R. 1724.

Nature of Trade Relations With United States

The extent to which the CSFR has assured the United States that it will provide equitable and reasonable access to the markets and basic commodity resources and that it will refrain from engaging in unreasonable export practices is significant.

General Agreement on Tariffs and Trade

The CSFR is a founding member of the General Agreement on Tariffs and Trade ("GATT"), and is an adherent to the International Anti-dumping Code of 1979. The CSFR is also a signatory to the GATT Customs Valuation Agreement. This Agreement provides detailed rules for the determination of values which are designed to provide a fair, uniform and neutral system of valuation and preclude the use of arbitrary or fictitious value.

Bilateral Trade Agreement

The United States and the CSFR signed a Bilateral Trade Agreement on April 12, 1990. The Agreement provides a number of important improvements for business in each country.

The United States and the CSFR agreed to mutually apply the rules of the GATT and offer each other most-favored-nation treatment, including on tariffs. This is significant for businesses and consumers in both countries. CSFR and U.S. goods will be less expensive. Over 97 percent of CSFR tariffs are covered by the GATT.

American firms will be offered most-favored-nation treatment in currency convertibility, and will have national

treatment in establishing bank accounts and paying for goods and services with local currency within the CSFR. Neither side will block the repatriation of hard currency earnings from trade.

The Government of the CSFR, which already adheres to the same multilateral intellectual property conventions as the United States, is committed to strengthening its intellectual property legislation, or introducing legislation for the first time, in the areas of patents, copyrights, proprietary information (trade secrets), and integrated circuit layout designs.

A number of important provisions will make it easier for American companies and commercial representatives to do business in the CSFR. For example, such companies and their representatives will have permission to advertise, to engage local agents and distributors, and to contact end-users directly.

The CSFR government is committed to move from an approval process to a simple registration process for foreign commercial representatives, and for Czechs and Slovaks wishing to trade with foreigners. In addition, both sides agreed not to mandate the use of barter or countertrade in commercial transactions.

Intellectual Property Protection

The CSFR provides adequate and effective protection of intellectual property, including patents, trademarks and copyrights. The CSFR is a party to a variety of international agreements protecting intellectual property. In a report issued on November 20, 1990, the International Intellectual Property Alliance cited with approval, the CSFR's commitments to protect U.S. sound recordings.

The CSFR is a party to the Universal Copyright Convention done at Geneva on September 6, 1952 and revised at Paris on July 24, 1971. In 1980, the CSFR also became a party to the Berne Convention for Protection of Literary and Artistic Works of September 9, 1886, as revised at Paris on July 24, 1971. Finally, the CSFR is a party to the 1985 Convention for the

Protection of Producers of Phonograms against Unauthorized Duplication of Their Phonograms, done at Geneva on October 29, 1971.

Investment Practices and Policies

The CSFR government has agreed to grant U.S. investors broad administrative and other privileges under a bilateral investment agreement. U.S. investors will be given the unlimited right to repatriate their profits and will be exempt from regulations requiring foreign investors to register their holdings. Approval by the full CSFR Cabinet is expected shortly, after which this agreement will be submitted to the Parliament for ratification.

Political Reform and Commitment to Fundamental Human Rights

In addition to encouraging economic reforms to progress, normalizing trade relations between the CSFR and the United States would further another important objective of U.S. foreign policy, supporting democratic institutions in Central and Eastern Europe. The United States Congress has long recognized that an important link exists between economic progress and political reform. It is based on this principle that the Jackson-Vanik amendment was originally enacted. In light of the political and economic reforms that have taken place in the CSFR since the "velvet revolution", and the CSFR's demonstrated commitment to fundamental human rights and freedom of emigration, it is appropriate for legislation to be enacted which would recognize these important developments.

Conclusion

The Czech and Slovak Federal Republic has demonstrated its commitment to freedom of emigration and adherence to international trading rules and is deserving of normalized relations with the United States. Therefore, we urge Congress to enact H.R. 1724 authorizing the President to terminate the application of Title IV of the 1974 Trade Act with respect to that country.

1212 Avenue of the Americas New York, New York 10036

United States Council for International Business

S T A T E M E N T

on

H.R. 1724

A BILL TO PROVIDE FOR THE TERMINATION OF THE

APPLICATION OF TITLE IV OF THE

TRADE ACT OF 1974

TO CZECHOSLOVAKIA AND HUNGARY

June 10, 1991

The United States Council for International Business wishes to register its support for H.R. 1724, which would terminate the application of Title IV of the Trade Act of 1974 to Hungary and the Czech and Slovak Federated Republic (CSFR).

The United States Council for International Business is comprised of 280 major U.S. corporations and represents American business positions before the Executive and Legislative branches of the U.S. Government and in the major international economic fora. It seeks to promote an open international system of trade, investment and finance. The Council is the U.S. business group that officially consults with key international bodies influencing international business. It is the U.S. affiliate of the International Chamber of Commerce (ICC), the Business and Industry Advisory Committee (BIAC) to the OECD, and the International Organization of Employers (IOE).

* * * * * *

Having thrown off the yoke of communism, both Hungary and the CSFR have made great strides toward transforming themselves into democratic nations with market-oriented economies. While it is true that both countries currently have Most Favored Nation status in the U.S., this status is still conditional upon their continued meeting of Title IV requirements. The CSFR has since 1978 been granted this status by renewed annual waiver of Title IV provisions. Hungary has had MFN on an open-ended basis since 1989, but always under the stipulation of compliance with the Title IV provisions. We believe that it is unnecessary to continue measuring these countries' performance against Title IV standards, since these requirements clearly no longer apply in their cases. Most Favored Nation status should instead be granted to these countries on an unconditional basis.

The continued coverage of these countries by Title IV injects uncertainty into the commercial relationship between American and Eastern European businessmen. This uncertainty is a significant deterrent to both American competitiveness and economic recovery in Eastern Europe.

The U.S. Council has continually maintained that it is inappropriate to regard MFN status as a political instrument. The granting of MFN status is not a unilateral concession for good behavior; it is the basis upon which countries build mutually beneficial commercial relationships. Hungary and the CSFR should be removed from Title IV jurisdiction, not as a political reward, but because the reasons which placed them there no longer apply under the law.

Democratic and Market-Oriented

Since the popular upheavals in 1989 which ended the communist monopoly of economic and political power in Central and Eastern Europe, Hungary and Czechoslovakia have both forged ahead with democratic, pluralistic practices and market reforms which are among the most advanced in Central and Eastern Europe. Along with Poland, these countries have the best chance of making the transition to capitalism, and are consequently the most attractive prospects for foreign investment.

Changes in Emigration and Travel Policies

The new governments of Hungary and the CSFR have shown themselves to be respectful of the human rights of their citizens, and have enacted legislation which gives those citizens unrestricted rights to emigration and travel. Since January 1990 every Hungarian citizen has been entitled to a passport, good for travel in any country, and is allowed to remain abroad as long as this passport is valid. Currency restrictions on travel have also been abolished. A similar law which also entered into force in January 1990 provides for free emigration from Hungary. Central registration of citizens' comings and going has officially ended.

Similarly, the Czechoslovakian Parliament passed a law in December 1989 which removed travel and emigration restrictions for citizens holding valid passports. Procedures on obtaining such passports have recently been updated.

It is clear from the above that the conditions which placed these two countries under Title IV restrictions in the past have now been eliminated. Therefore it follows that both Hungary and the CSFR should be removed from the list of countries subject to Title IV.

Need to Open U.S. Markets to Eastern European Products

The Eastern European countries, including Hungary and the CSFR, are going through extreme difficulties in connection with their transitions to a market economy. The collapse of the Soviet economy and of the CMEA have disrupted traditional trade patterns and have made these countries more dependent than ever on the West to provide markets for their exports. MFN is needed to sustain the fragile early successes of these countries' reforms.

Increased access to foreign markets is becoming more important to the economies of Central and Eastern Europe than increased financial aid. This was recognized by both Western and Eastern European officials at a recent conference in Slovakia on how to aid transition. U.S. representatives at this conference, including Vice-President Quayle, promised an opening of U.S. markets to these countries. The U.S. Council supports this policy as it promotes a more open trade environment from which both sides can benefit. Granting Hungary and the CSFR Most Favored Nation status on an unconditional basis would be in direct keeping with this policy.

Commercial Impact

The U.S. is uniquely disadvantaged by the maintaining of barriers by which none of our competitors are restrained. Although restrictions under Title IV been waived from year to year for both Hungary and the CSFR, the uncertainty introduced by the application of Title IV requirements nevertheless could have a chilling effect on decisions regarding foreign trade and investment in both of these countries.

Conclusion

The United States Council urges U.S. lawmakers to pass H.R. 1724. The changes which have taken place in both Hungary and the Czech and Slovak Federal Republic make application of Title IV conditions no longer relevant to deciding these countries' trade status. There is no longer a question of these countries' commitments to a democratic society and market reforms. Failure to recognize the monumental changes which have taken place serves neither U.S. commercial interests nor the furtherance of reform in Eastern Europe.

WRITTEN COMMENTS
on
A BILL TO NORMALIZE U.S. TRADE RELATIONS
WITH HUNGARY AND CZECHOSLOVAKIA
for submission to the
SUBCOMMITTEE ON TRADE
of the
HOUSE COMMITTEE ON WAYS AND MEANS
by
JOHN J. ROBERTS*
JUNE 10, 1991

The U.S. Section of the Hungarian-U.S. Business Council, founded in 1975 under the aegis of the U.S. Chamber of Commerce, is pleased to submit these comments on H.R. 1724, a bill to normalize U.S. trade relations with Hungary and Czechoslovakia.

The Hungarian-U.S. Business Council is a bilateral business organization whose main objectives are to encourage and facilitate trade and investment between the United States and Hungary and to help promote the development of the private sector and a thriving market economy in Hungary. It is autonomous in matters of policy. The U.S. section of the Council consists of senior executives of more than 40 U.S. companies having actual or potential trade and/or investment activities in Hungary. The counterpart group in Hungary includes principal executives from industry, banking and foreign trade organizations, as well as -- in recent months -- representatives of the emerging private sector.

The Council achieves the above mentioned goals by actively working to improve legislation and the regulatory climate for trade and investment in both the United States and Hungary, by acting as a clearinghouse of information on issues of importance, and helping to build relationships that will lead to further strengthening of the institutions in Hungary committed to the market economic reform process there.

The members of the U.S. section include some of the major American firms currently doing business with Hungary. (A roster of member companies is attached.)

Position on H.R. 1724

The U.S. Section of the Hungarian-U.S. Business Council strongly urges passage of H.R. 1724, a bill to normalize U.S. trade relations with Hungary and Czechoslovakia. In the case of Hungary, we believe that all requirements have been met to remove Hungary from its nonwaiver status achieved in 1989 and to extend unconditional most-favored-nation (MFN) status to Hungary, putting it on the same footing in the region with Poland and, importantly, with the majority of U.S. trading partners.

Beyond the actual long-term benefits that such action will provide, the authority extended to the President by H.R. 1724 will send a powerful signal to Hungary that Congress and the American people believe the political and economic reforms which have taken place at an accelerated pace over the last two years mean that Hungary is now a full member of the international community of free-market nations, and that we no longer set it aside under the special status of a non-market economy.

---

*Chairman, U.S. Section of the Hungarian-U.S. Business Council and Vice Chairman of American International Group

In addition, H.R. 1724 in terminating for Czechoslovakia and Hungary title IV of the Trade Act of 1974, will accomplish more than just the elimination of Jackson-Vanik requirements for normalizing trade relations. Termination of title IV will also do away with Section 406 on market disruption. Section 406 provides the authority to increase or impose any duty or import restriction on an article which is the product of a communist country after determination of whether "market disruption" exists with respect to an article produced by a domestic industry.

Czechoslovakia and Hungary have indeed behaved in a manner consistent with the findings in section 1 of H.R. 1724, particularly in paragraph (3), establishing political pluralism, free and fair elections, and multiparty political systems; and paragraph (4), introducing far-reaching economic reforms based on market-oriented principles and decentralizing economic decision making. As such, the tenets of the market disruption provisions no longer hold true. Such action moves Czechoslovakia and Hungary further along the road to a normalized trading relationship with the United States. In the future, disputes on imports from these countries will be handled by import injury laws and mechanisms.

Benefits for the United States

In 1990, total trade between the United States and Hungary was $496.9 million (U.S. exports to Hungary were $151.6 million and imports from Hungary $345.3 million, giving the United States a trade balance of -$193.6 million, according to the United States International Trade Commission). For both countries, this trade is a small percentage of total trade, and there is an unfilled potential for both U.S. exports to Hungary and increased Hungarian imports to the United States. Unconditional MFN status, while in and of itself unable to increase our mutual trading activity, can seal our relationship for a larger, more secure trading relationship.

In addition, this legislation can lay the groundwork for further activity by the United States Trade Representative to negotiate on a key factor in our future trade and investment relationship -- that of intellectual property rights protection. Members of the Hungarian-U.S. Business Council consider this a vital issue which must be resolved as soon as possible.

H.R. 1724 not only sends a message to Hungary but also signals to American companies that our government is committed to improving our trade relationship with that country. This gesture should translate into increased interest in Hungary and can be part of the government's ongoing efforts to improve the export potential of U.S. companies.

Benefits for Hungary

Hungary has the largest per capita debt in Central and Eastern Europe. Increasing exports will, of course, earn much-needed hard currency that the country needs to service its debt and finance future imports of foreign goods. Hungary has also laid the groundwork for a freer trade climate with the almost total elimination of import licence requirements and a general liberalization of its general trade climate. This should also serve to increase U.S. exports to Hungary.

This legislation can serve as a catalyst for future trade and investment flows between our countries. The Hungarian government has made it clear that it wants a more active relationship with the U.S. H.R. 1724 sets the stage for further internal economic reform, such as acceleration of the privatization process and banking reform which will, in turn, benefit those American firms eager to extend their investment in Hungary. Our compliance caveats and sticking points on investment issues may be addressed more quickly if we meet the Hungarians "half way" in extending unconditional MFN.

Conclusion

The euphoria created by the sweeping political and economic changes in the last 18 months has now settled into the reality of the enormous job the Hungarians must undertake in order to continue down the road to real reform. The United States is in a position to provide the tools -- primarily in the form of accelerated trade and investment -- that Hungary needs to succeed.

The full and unconditional normalization of U.S. trade relations will act as a symbol both to the Hungarians as well as to the corporate community in the United States. The long-term economic well-being of both nations will benefit from passage of this bill.

Thank you for the opportunity to provide the views of the U.S. Section of the Hungarian-U.S. Business Council.

Hungarian-U.S. Business Council

Chamber of Commerce
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International Division

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3M Company
American Cyanamid Company
American International Group
Amway Corporation
Atalanta Corporation
Baker & McKenzie
Bear, Stearns & Company, Inc.
Bechtel Group, Inc.
Berces International
Boeing Commercial Airplane Company
Bridgeford Group
Coca-Cola East Central Europe GmbH
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Francis S. Rath - P.C.
Frank B. Hall & Co. of New York
Friedman & McMahon P.C.
Furst Wein & Taryan
General Motors Hungary
Guardian Industries
Hemingway Holding AG
IBJ Schroeder Bank & Trust Company
J.P. Morgan and Company, Inc.
Jim Walter International Sales Operation
Johnson & Gibbs
Johnson & Johnson
Lepercq, de Neuflize & Co., Inc.
Morgan Guaranty Trust Company
Motor Trading Corporation
Motorola Ltd.
National Women's Economic Alliance
New England Machinery, Inc.
Northern Telecom
Occidental Petroleum Corporation
Overseas Bechtel Group, Inc.
Pan American World Airways, Inc.
PepsiCo Wines & Spirits International
Pfizer International
Price Waterhouse
Rockport Company, Inc.
Schnader, Harrison, Segal & Lewis
Shay Industries, Inc.
Skadden, Arps, Slate, Meagher & Flom
Stroock & Stroock & Lavan
Sundstrand Corporation
Telemusic, Inc.
Tucker & Associates
UOP, Inc.
Ultrasteel International Ventures
Union City Body Company
United Technologies International

WRITTEN COMMENTS
on
A BILL TO NORMALIZE U.S. TRADE RELATIONS
WITH HUNGARY AND CZECHOSLOVAKIA
for submission to the
SUBCOMMITTEE ON TRADE
of the
HOUSE COMMITTEE ON WAYS AND MEANS
by
MARTIN M. POLLAK*
JUNE 10, 1991

The U.S. Section of the Czechoslovak-U.S. Economic Council, founded in 1975 under the aegis of the U.S. Chamber of Commerce, is pleased to submit these comments on H.R. 1724, a bill to normalize U.S. trade relations with Hungary and Czechoslovakia.

The Czechoslovak-U.S. Economic Council is a bilateral business organization whose main objectives are to encourage and facilitate trade and investment between the United States and the Czech and Slovak Federal Republic and to help promote the development of the private sector and a thriving market economy in Czechoslovakia. The Council is autonomous in matters of policy. The U.S. section of the Council consists of senior executives of more than 40 U.S. companies having actual or potential trade and/or investment activities in Czechoslovakia. The counterpart group in the Czech and Slovak Republic includes principal executives from industry, banking and foreign trade organizations, as well as -- in recent months -- representatives of the emerging private sector.

The Council achieves the above mentioned goals by actively working to improve legislation and the regulatory climate for trade and investment in both the United States and Czechoslovakia, by acting as a clearinghouse of information on issues of importance and helping to build relationships that will lead to further strengthening of the institutions in Czechoslovakia committed to the market economic reform process there.

The members of the U.S. section include some of the major American firms currently doing business with Czechoslovakia. (A roster of member companies is submitted for the record.)

Position on H.R. 1724

The U.S. Section of the Czechoslovak-U.S. Economic Council strongly urges passage of H.R. 1724, a bill to normalize U.S. trade relations with Hungary and Czechoslovakia. In the case of Czechoslovakia, we believe that all requirements have been met to remove Czechoslovakia from its waiver-and-renewal status achieved in 1990 and to extend unconditional most-favored-nation (MFN) status to Czechoslovakia, putting it on the same footing in the region with Poland and, importantly, with the majority of U.S. trading partners.

Beyond the actual long-term benefits that such action will provide, the authority extended to the President by H.R. 1724 will send a powerful signal to the Czech and Slovak Federal Republic that Congress and the American people believe that the political and economic reforms which have taken place at an accelerated pace over the last two years mean that Czechoslovakia is now a full member of the international community of free-market nations, and that we no longer set it aside under the special status of a non-market economy.

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*Chairman, U.S. Section of the Czechoslovak-U.S. Economic Council and President of National Patent Development Corporation

In addition, H.R. 1724 in terminating for Czechoslovakia and Hungary title IV of the Trade Act of 1974, will accomplish more than just the elimination of Jackson-Vanik requirements for normalizing trade relations. Termination of title IV will also do away with Section 406 on market disruption. Section 406 provides the authority to increase or impose any duty or import restriction on an article which is the product of a communist country after determination of whether "market disruption" exists with respect to an article produced by a domestic industry.

Czechoslovakia and Hungary have indeed behaved in a manner consistent with the findings in section 1 of H.R. 1724, particularly in paragraph (3), establishing political pluralism, free and fair elections, and multiparty political systems; and paragraph (4), introducing far-reaching economic reforms based on market-oriented principles and decentralizing economic decision making. As such, the tenets of the market disruption provisions no longer hold true. Such action moves Czechoslovakia and Hungary further along the road to a normalized trading relationship with the United States. In the future, disputes on imports from these countries will be handled by import injury laws and mechanisms.

Benefits for the United States

In 1990, total trade between the United States and Czechoslovakia was $164.3 million (U.S. exports to Czechoslovakia were $85.3 million and imports from Czechoslovakia $79.0 million giving the United States a trade balance of $6.3 million, according to the United States International Trade Commission). For both countries, this trade is a small percentage of total trade, and there is an unfilled potential for both U.S. exports to Czechoslovakia and increased Czechoslovakian imports to the United States. Unconditional MFN status, while in and of itself unable to increase our mutual trading activity, can seal our relationship for a larger, more secure trading relationship.

In addition, this legislation can lay the groundwork for further activity by the United States Trade Representative to negotiate to preserve and protect areas of the recently passed bilateral trade agreement between the United States and the Czech and Slovak Federal Republic, particularly in the area of intellectual property protection, a key area of concern for members of the Czechoslovak-U.S. Economic Council.

H.R. 1724 not only sends a message to Czechoslovakia but also signals to American companies that our government is committed improving our trade relationship with that country. This gesture should translate into increased interest in Czechoslovakia and can be part of the government's ongoing efforts to improve the export potential of U.S. companies.

Benefits for Czechoslovakia

The impact of receiving MFN last year has made Czechoslovak exports more competitive. Increasing exports will, of course, earn much-needed hard currency the country needs to finance future imports of foreign goods. Czechoslovakia has also laid the groundwork for a freer trade climate with reforms regarding foreign exchange and the de-monopolization and liberalization of foreign trade activities.

This legislation can serve as a catalyst for future trade and investment flows between our countries. The Czechoslovak government has made it clear that it wants a more active relationship with the U.S. H.R. 1724 sets the stage for further internal economic reform, such as acceleration of the privatization process and banking reform which will, in turn, benefit those American firms eager to extend their investment in Czechoslovakia.

Conclusion

The euphoria created by sweeping political and economic changes in the last 18 months has now settled into the reality of the enormous job the Czech and Slovak Federal Republic must undertake to continue down the road to real reform. The United States is in a position to provide the tools -- primarily in the form of accelerated trade and investment -- that the Czech and Slovak Federal Republic needs to succeed.

The full and unconditional normalization of U.S. trade relations will act as a

symbol both to the Czech and Slovak Federal Republic as well as to the corporate community in the United States. The long-term economic well-being of both nations will benefit from passage of this bill.

Thank you for the opportunity to provide the views of the U.S. Section of the Czechoslovak-U.S. Economic Council.

Czechoslovak-U.S. Economic Council

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CZECHOSLOVAK - U.S. ECONOMIC COUNCIL

ROSTER OF MEMBERS

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The Council operates under the administrative aegis of the *U.S. Chamber of Commerce* but is autonomous in matters of policy.

Comments on H.R. 1724
Statement to Subcommittee on Trade #5
Committee on Ways and Means

By: Charles A. Vanik

Over the past several years, I have been to Czechoslovakia on five occasions, on trade matters and in connection with the operation of the Czechoslovak Management Center operated by the University of Pittsburgh and the Industry Ministry of the Czech Republic. Next month, I will return to Czechoslovakia for meetings of the U.S. Czech and Slovak American Enterprise Fund. During the past several years, I have also had several opportunities to visit Hungary.

It is my considered judgment that both Czechoslovakia and Hungary are worthy of the full normalization of U.S. trade relationships. A Jackson-Vanik waiver should be granted to both nations. It is my hope that the President would announce that Czechoslovakia would also be declared in full compliance with the Jackson-Vanik requirements and receive MFN status on an open-ended basis as long as it remains in compliance with the Jackson-Vanik conditions. Czechoslovakia deserves the same status as the U.S. provided for Hungary.

Czechoslovakia and Hungary are in a close competitive race toward achieving a full market economy. Their progress is phenomenal considering the difficult decisions and changes each of the countries face in production, subsidies and market adjustments.

There are certain U.S. citizens who have possible expropriation claims against Czechoslovakia which may not be addressed by recent Czechoslovak laws, which limit restitution to citizens of that country and those who are not affected by U.S. limitations on dual citizenship.

Such problems should not delay U.S. Congressional approval of trade normalization. These issues can be resolved by further negotiation through regular diplomatic channels, or by further clarification of U.S. laws on dual citizenship.

This statement is submitted by Charles A. Vanik as a private citizen and not on behalf of any client, organization or foreign government.

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Washington, D.C. 20004
202/626-6646

FOR IMMEDIATE RELEASE
WEDNESDAY, JUNE 26, 1991

SUBCOMMITTEE ON TRADE #10
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D.C. 20515
TELEPHONE: (202) 225-1721

THE HONORABLE SAM M. GIBBONS (D., FLA.), CHAIRMAN, SUBCOMMITTEE ON TRADE, COMMITTEE ON WAYS AND MEANS, U.S. HOUSE OF REPRESENTATIVES, ANNOUNCES REQUEST FOR WRITTEN COMMENTS ON TRADE AGREEMENTS BETWEEN THE UNITED STATES AND BULGARIA AND THE UNITED STATES AND MONGOLIA

The Honorable Sam M. Gibbons (D., Fla.), Chairman of the Subcommittee on Trade, Committee on Ways and Means, U.S. House of Representatives, today announced that the Subcommittee on Trade is requesting written comments for the record from all parties interested in the Agreement on Trade Relations Between the Government of the United States of America and the Government of the People's Republic of Bulgaria. The Subcommittee also is requesting written comments for the record on the Agreement on Trade Relations Between the Government of the United States of America and the Government of the Mongolian People's Republic. Because of the importance the Subcommittee places on improving U.S. trade relations with countries such as Bulgaria and Mongolia, which are making the transition from centralized to market economies, the Subcommittee anticipates moving as expeditiously as possible in its consideration of these agreements.

BACKGROUND

Title IV of the Trade Act of 1974 (the so-called "Jackson-Vanik amendment"), as amended by the Customs and Trade Act of 1990, sets forth specific freedom of emigration requirements which must be met, or waived by the President, and minimum provisions which must be included in a bilateral trade agreement in order for the President to grant most-favored-nation (MFN) status to a nonmarket-economy country.

Sections 405(c) and 407(c) of the Trade Act, as amended, provide that a trade agreement and the Presidential proclamation granting MFN status shall take effect only after enactment of a joint resolution of approval. Such a resolution is subject to the fast-track implementing procedures of the House and Senate under section 151 of the Act, as amended. Under these procedures, the House and Senate have a maximum of 90 legislative days to enact a joint resolution of approval; and the resolution is not subject to amendment.

On January 23, 1991, the President waived the application of sections 402(a) and (b) of Title IV of the Trade Act with respect to Bulgaria, upon a determination that such a waiver would substantially promote the Act's objectives relating to freedom of emigration. The waiver made Bulgaria eligible immediately for U.S. Government credits,

(MORE)

credit guarantees, and investment guarantees. A bilateral trade agreement, signed in Washington on April 22, 1991, was negotiated under authority of Title IV, along with side letters on intellectual property rights, travel and tourism, currency convertibility, business facilitation, and other matters. That agreement and the side letters were submitted formally to the Congress for its consideration on Tuesday, June 25, 1991 (H.Doc. 102-105). A joint resolution approving the extension of MFN treatment to the products of Bulgaria (H.J. Res. 282) also was introduced on June 25.

On January 23, 1991, the President waived the application of sections 402(a) and (b) of Title IV of the Trade Act with respect to Mongolia. A trade agreement with that country, along with side letters dealing with intellectual property rights and other matters, was signed on January 23, 1991, and was submitted formally to the Congress for its consideration on June 25, 1991 (H.Doc. 102-104). A joint resolution approving the extension of MFN treatment to the products of Mongolia (H.J. Res. 281) was introduced on the same day.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Persons submitting written comments should submit six (6) copies by the close of business Tuesday, July 9, 1991, to Robert J. Leonard, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, Room 1102 Longworth House Office Building, Washington, D.C. 20515.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

* * * * * * * * * * *

Written Statement of

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

American Telephone and Telegraph Company (hereinafter "AT&T") is pleased to respond to the subcommittee's request of June 26, 1991, for comments on the proposed trade agreement between the United States and the Republic of Bulgaria. AT&T strongly supports this agreement, and urges the Congress to enact a joint resolution of approval pursuant to Sections 405(c) and 407(c) of the Trade Act of 1974 as amended.

AT&T is one of the world's leading industrial companies, with 1990 sales in excess of $37 billion. The company employs over 273,000 people in 30 countries around the world. A leading exporter of U.S.-made telecommunications products, AT&T last year sold over $1.5 billion worth of equipment, software, and services to overseas customers.

Since 1989, AT&T and other American telecommunications companies have been actively exploring new business opportunities in the emerging markets of Central Europe. In June 1991, AT&T signed a $94 million contract with the Polish Ministry of Communications for advanced network telephone equipment, including central office exchanges, transmission equipment, and a network operations and control system. This equipment will greatly improve the Polish long-distance and local telephone networks, making it easier for the branches and joint ventures of Western-based firms to communicate with their home offices quickly and efficiently. This contract was the largest to date for an American telecommunications firm in Central Europe, and is expected to lead

to further orders of over $200 million.

AT&T has been holding discussions with Bulgarian authorities for over a year regarding possible sales of similar types of network telephone equipment. The commercial potential for American companies in Bulgaria is enormous, especially in critical infrastructure areas such as telecommunications. Unlike several other Central European countries, where America's European competitors enjoyed a "head start" in establishing market position, Bulgaria presents a unique opportunity for American companies to establish a strong presence early on. To that end, AT&T views Bulgaria as a critical growth market in Central Europe, and has assigned a high priority to the successful conclusion of an agreement with the appropriate Bulgarian ministries.

Importance of Telecommunications

As noted in the report accompanying HR 5114, the FY 1991 Foreign Assistance Appropriations bill, "in today's information age, a sufficient telecommunications capability is an essential engine of economic growth, just as railways and highways were to the industrial age... lacking such infrastructure, [countries] will be unable to attract job-creating investment, which is the only way they can grow out of the need for continued economic aid." (Report 101-519, p. 24)

Bulgaria has recognized the need for a modern telephone infrastructure, and has taken steps to select the supplier best

able to meet its needs. American firms such as AT&T are well-positioned to compete for this business, but will succeed only if conditions more favorable to bilateral trade are established. AT&T believes the proposed trade agreement will create precisely the right kind of commercial climate needed to encourage U.S. trade with Bulgaria, especially in key areas such as intellectual property rights, non-discriminatory business practices, and hard currency repatriation. Perhaps more importantly, the agreement will pave the way for the general improvement of bilateral economic relations on many fronts.

Intellectual Property Rights

As a leading producer of advanced software for computers and telecommunications systems, AT&T has a very strong interest in the protection of U.S. intellectual property (IP). UNIX(r), one of the world's most advanced and widely used computer operating systems, is licensed by AT&T to millions of users around the globe. We are very pleased that the proposed trade agreement with Bulgaria will provide strong protection for IP rights, substantially upgrading the existing Bulgarian regime to a level equivalent with that of most major U.S. trading partners. Given that AT&T hopes establish a substantial commercial presence in Bulgaria, approval of the trade agreement (and its intellectual property guarantees) would facilitate the transfer of the necessary technical information necessary for installation, operation, and use of even the most sophisticated telephone equipment.

Non-Discriminatory Treatment

As part of its proposal to the Bulgarian authorities, AT&T envisions establishing a joint company with a major Bulgarian manufacturer for the sale, service, installation and eventual localization of certain telecommunications products. Regardless of the eventual form this company takes, the establishment of a local presence may require the rental of office space, the establishment of bank accounts, the engagement of local agents or distributors, and the possible use of advertising. The proposed trade agreement would guarantee U.S. companies non-discriminatory treatment in each of these key commercial areas.

Hard-Currency Repatriation

The repatriation of hard currency revenues is of vital importance to U.S. companies like AT&T seeking to establish business in Central Europe. The trade agreement stipulates that hard currency revenues from trade may be repatriated immediately, which will encourage increased U.S. sales by alleviating the risks associated with doing business in non-convertible currencies.

Easing of Export Controls

Although the trade agreement does not specifically address this point, approval of the agreement would be another step toward the complete normalization of commercial relations between the United States and Bulgaria. To this end, AT&T is actively seeking the liberalization of CoCom export controls on telephone equipment

exported to Bulgaria. In its recent High Level Meeting (HLM), CoCom agreed to remove most remaining approval requirements for telecommunications equipment exported to Poland, Hungary, and Czechoslovakia. The HLM also agreed to ease controls on a few types of equipment sold to Bulgaria. We anticipate that the trade agreement will help pave the way for according Bulgaria the same favorable treatment soon to be received by Poland, Hungary, and Czechoslovakia.

AT&T welcomes the efforts of the United States government to move toward more normal trade relations with Bulgaria. The trade agreement is, we believe, only one part of a larger strategy for expanding U.S.-Bulgarian economic relations. We look forward to the rapid conclusion of a bilateral investment treaty. We welcome the President's finding of June 5, 1991, regarding the use of Eximbank financing facilities in Bulgaria. And we hope that the Congress will make telecommunications in Bulgaria a highlight of future foreign assistance appropriations.

Bulgaria's progress toward a free market economy has been remarkable. Unfortunately, however, U.S. trade with Bulgaria has historically been very small, and has even declined in recent years. According to the U.S. Trade Representative's office, total U.S. exports to Bulgaria in 1990 were $84 million, representing a 50% decline over the previous year. But the next decade promises a different story. The initial phases of the modernization of

Bulgaria's telephone network could alone be worth tens of millions of dollars in U.S. exports.

This hope will only be realized if the conditions for trade between the United States and Bulgaria are dramatically improved. A lack of hard currency in Bulgaria, and a moratorium on hard-currency debt repayment, have combined to make trade very difficult in the past. Improving the Bulgarian telephone system would, even in the early stages, dramatically increase the number of international telephone calls to and from Bulgaria. This, in turn, will generate a large and ongoing source of hard currency revenues, benefitting both Bulgaria and U.S. communications providers like AT&T. We therefore strongly support the U.S.-Bulgarian Trade Agreement, and urge the distinguished members of the subcommittee to recommend its rapid approval.

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Amicale INDUSTRIES, INC.
1375 BROADWAY, NEW YORK, NEW YORK 10018

July 8, 1991

Mr. Robert J. Leonard
Chief Counsel
Committee on Ways and Means
U.S. House of Representatives
Room 1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Leonard:

I am writing in support of extending Most Favored Nation treatment to the products of Mongolia, (H.J. Res. 281).

Our company, Amicale Industries, now in its 50th year, is the leading American producer of luxury fiber fabrics, scarves and shawls. We are specialists in making textiles using cashmere, camel hair, angora, alpaca and fine wools, for the men's and ladies' apparel industry. We are the world's largest buyer of camel hair which comes from the two-humped bactrian camel and also use the finest cashmere that comes from a special breed of goat Capra hircus laniger. Both these animals are found only in Mongolia and China.

I am enclosing four swatches of cashmere and camel hair fabric to show the beauty of these products. While cashmere is a luxury, camel hair is in the price range of wool. America is the world's largest market for camel hair. Europe and Japan buy less than 20% of the world's supply.

Currently China has MFN status; Mongolia does not. That forces Amicale and other U.S. buyers of cashmere and camel hair to buy more from the supplier with the MFN status. We believe the terms of trade of these two countries producing virtually the same fiber should be equal.

Giving MFN status to Mongolia is vital to its economy which depends to such an important extent on export of cashmere and camel hair. (See Ref. 1). It would also help American fiber buyers to allocate their purchases in a more rational manner, not depending on the tariff status of each supplier.

In 1989 Mongolia invited our company to negotiate a joint venture there for processing camel hair as well as making yarn, cloth and knitwear from this fiber. During our discussions, which apparently have great importance for Mongolia, the Minister For Foreign Economic Relations and Supply, Mr. P. Ochirbat, personally visited our plant in Philadelphia, Pennsylvania. He later became the first democratically elected President of Mongolia.

In June 1990 the agreement was concluded and ratified by the Council of Ministers at the time of Secretary of State Baker's visit to Mongolia. Enclosed are four articles that appeared in the press about this event. (See Ref. 2, 3, 4, 5, 6). The equipment coming from the U.S. and the contributions of the Mongolian side, make it a project in excess of $32 million. The joint venture is called MongolAmicale symbolizing the cooperative spirit of both parties to the enterprise.

The camel is an important means of transport in Mongolia which is more than one-fourth desert. Our joint venture will be an important link between the camel herdsmen that raise these animals throughout Mongolia's vast territory and the consumer markets of the West. Mongolian technicians will be coming to our plants, two in Pennsylvania, one in North Carolina, not only to be trained but also to experience living in America.

The success of the joint venture depends to no small degree on Mongolia being granted MFN status in order to sell its products to the USA on terms competitive with other foreign suppliers. Mongolia plans joint ventures in other fields many of which are specialties of important American industries such as mining and oil drilling and exploration. MFN status is essential to start its economy growing by increasing trade with the U.S.

Mongolia is a small country that has been dominated by its neighbor the USSR for most of the twentieth century. Granting it MFN status will greatly help it to achieve economic independence and a higher standard of living through projects such as the MongolAmicale joint venture.

I have made many trips to Mongolia since U.S. diplomatic relations were established and would be pleased to share my impressions of this fascinating country in more detail with the Committee.

Respectfully,

Boris Shlomm, President
Amicale Industries, inc.

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amicale INDUSTRIES, INC.
1375 BROADWAY, NEW YORK, NEW YORK 10018

July 8, 1991

Ref. 1 - Four swatches 100% camel hair and cashmere jacketing and coating weight.

2 - Fortune magazine article - February 25, 1991

3 - Daily News Record article - August 13, 1990

4 - Women's Wear Daily article - October 9, 1990

5 - Barron's Weekly article - August 13, 1990

6 - Foreign Trade of Mongolia article - 1/90

Some of the material referred to above is being retained in the committee file.

REF. 2

INSIDE YOUR 1991 INVESTING & TAX GUIDE

FEBRUARY 25, 1991 33

FORTUNE

NEWS/TRENDS

MONGOLIA STEPS ONTO WORLD STAGE

■ Meet the spearhead of Mongolia's upcoming export drive: the two-humped Bactrian camel. The hairy creature has an early lead over other Mongolian assets such as oil, coal, and furs now that the U.S. has signed trade agreements with the former Soviet satellite. Back in June, Amicale, a private New York City company that processes camel's hair for coats and sweaters, signed contracts to help set up a factory in Ulan Bator, the capital. The fiber from Bactrian camels, which dwell only in Mongolia and China, rivals cashmere for softness but costs a lot less. Amicale will try to put some U.S. management techniques in place. Says CEO Boris Shlomm: "We are setting up a board of directors—three Americans, three Mongolians—and using U.S. accounting procedures." –Kate Ballen

TEXTILES DAILY NEWS RECORD AUGUST 13, 1990 REF. 3

Getting Lumps Out of the Camel Hair Trade

BY S. GRAY MAYCUMBER

NEW YORK — An historic agreement signed last week in Ulan Bator, Mongolia, should make life somewhat easier, and perhaps more profitable, for U.S. manufacturers of camel hair jackets, coats, scarfs and suits.

A joint venture between Amicale Mongolia, a subsidiary of Amicale Industries, New York, the largest producer of fabrics of luxury animal fibers, and the Mongolian Camel Wool Co. of Ulan Bator has established Mongolia's only integrated producer and distributor of dehaired camel hair, camel hair fabric, and finished products.

The venture, called MongolAmicale, is hailed as the first joint venture ever between a Mongolian and a U.S. company.

According to Boris Shlomm, chairman of the joint-venture company and president of Amicale Mongolia and of Amicale Industries, "This joint venture is a landmark event in world production of fine camel hair fabric. I am confident we can look forward to a higher quality of camel hair and more reliable supplies than ever before.

"There will also be better price stability," he told DNR.

He said for the first time the Mongolian herdsmen would be selling to a plant in Mongolia rather than to large export agencies through a barter system. He noted that the export agencies, mainly Eastern European, "sold camel hair with little care for quality or price stability.

"Now the Mongolian camel hair industry can control its own destiny."

He said that conversion of the fiber to yarn or fabric will cost less in Mongolia than in the U.S.

Modern camel-hair processing equipment, including sweater machines, will be installed at the joint venture's Ulan Bator facility.

The initial capacity of the facility will enable MongolAmicale to dehair 750 tons of camel hair and produce 100-150 square meters of fabric and up to 100,000 camel hair sweaters, or yarn equivalent, according to Shlomm.

The camel hair market is mainly in the U.S., Shlomm said, while more cashmere goes to Europe and Japan. "Camel hair in the U.S. is the affordable luxury fiber. If it ever becomes as popular in Europe and Japan, it will be in tight supply."

Incidentally, camel hair, Shlomm said is a misnomer. "It is really camel wool and the hair has to be removed before it can be used as camel hair fabric. There is no hair in camel hair yarn."

The most important market for camel hair now is in jackets, he said, with overcoats and scarfs next and then sweaters.

The most important market for camel hair now is in jackets, with overcoats and scarfs next and then sweaters.

The contract for the joint venture, Shlomm said, was negotiated in about a year. "Which is quick for there," and could be done in this time because he spoke Russian, which is the language of Mongolian businessmen, who have all been educated in Soviet universities. "English is gaining there," he said.

Continued on page 37

Feed stock for MongolAmicale

August 13, 1990 Item 3

Camel Hair

Continued from page 36

One of the problems Shlomm encountered in setting up the new facility was finding a site. A law in Mongolia, which might be quite popular in the U.S., forbids new buildings. So one must renovate an old site. Luckily the Russians were creating a Geological Institute in Ulan Bator and ran out of budget. So MongolAmicale took it over.

Another element that may make camel hair even more attractive in the U.S. market is that it is expected that Mongolia will receive Most Favored Nation status, thus lowering the tariffs on their imports into the U.S.

Shlomm's own company, Amicale Industries, founded by his father in 1941, is the world's largest vertically integrated producer of camel hair, and America's largest producer of all luxury fabrics, including cashmere, alpaca, and angora, he said.

Amicale maintains its own facilities for every step of the production of camel hair yarn and fabric, including dehairing and wool-spanning facilities at its Woonsocket Spinning Co. in Charlotte, N.C., a weaving and dyeing facility called Anchor Dyeing & Finishing Co., together with a weaving mill, both located in Pennsylvania, and corporate and design headquarters in New York City.

REF. 4

Amicale Goes Global

By MARGARET MAZZARACO

NEW YORK — The first joint venture between an American company — Amicale Industries — and Mongolia was recently formed in Ulan Bator, Mongolia. Called MongolAmicale, it will specialize in camel hair fibers, fabrics and related products.

"This is a major step towards the globalization of Amicale Industries, a production center close to a fiber-producing area," said Boris Shlomm, president of Amicale, one of America's leading precious fiber fabric companies.

"Demand for camel hair continues to grow," says Shlomm, who's preparing for another visit to Mongolia. "Camel hair coats are in the fashion forefront in velour types in an unlimited spectrum of colors."

Although the mill will not be ready until 1994, according to Shlomm, the Mongolian government is enthusiastic about the venture because it is eager to be part of the world's economy.

"Mongolia is the 18th-largest country in the world," he points out. "It's about the size of Europe and has only three million people living outside of its capital, Ulan Bator, a city of about five hundred thousand inhabitants. The rest are spread over the vast territory. The leading occupation is herding camels, horses and sheep. There are about 300,000 camels there. Some are breeding camels and others carry goods. The government wants to bring the herdsman closer to the economy, not only in Mongolia, but the Western world."

Shlomm says he was invited by the Ministry of Food, Light Industry and Agriculture to be a partner and is now going ahead with some of the plans.

He is setting up a vertical operation in Mongolia similar to Amicale's here, including a de-hairing facility with the capacity of 750 tons. Shlomm will supply the de-hairing, spinning and weaving equipment.

"The textile mill will grow from a small installation into a larger one as workers and management get more experience," he predicts. "The Ministry will send their technicians to train in the United States. They will live here and be trained by Amicale executives in our Charlotte, N.C., and our Philadelphia and Kulpmont plants in Pennsylvania. They speak Russian and Mongolian and I speak Russian, so there's a basis of communications — and besides some speak contract with many visits by us and the Mongolian officials. Included on one of the trips here was the former Minister of Foreign Trade, President Punsalmaagiin Ochirbat, who is now president of the country."

"Later, there was a visit by Secretary of State James J. Baker, the highest U.S ranking government representative to ever visit Mongolia. It was an indication the U.S wanted to have closer economical and political ties with them. Mongolia has two neighbors, Russia and China, so the logical country to counterbalance these two is the U.S."

Further, he points out, "Another indication of Mongolia's interest in expanding its economy worldwide is its first free elections and its plan for economic reforms to get away from a state-run economy."

Supplies of camel hair fiber is adequate to meet demand, says Shlomm. "One reason is that Europe and Japan use very little of the fiber. As long as this continues, supplies will remain adequate."

Boris Shlomm, Amicale Industries

Foreign Investment

THE INTERNATIONAL TRADER / By PETER C. DU BOIS

A Hairy Camel Story . . . Bourses Tumble

AMID wild rumors about events in the Middle East, global bourses last week suffered bouts of what one trader dubbed "debilitating uncertainty." Investors who overcame their whig-knuckle syndrome (a disease marked by gripping a table until one's knuckles turn white, and avoiding decisions) generally sold. With buyers on strike, many popular stock indexes fell sharply.

Brazil, which relies heavily on Iraqi oil, initially said that it wouldn't halt imports. Later, it agreed to honor United Nations sanctions, adding that Iraqi oil already in transit would be delivered. The Bovespa index of Sao Paulo shares, which hit 31,812 on Aug. 2, closed Thursday at 29,356. Adjusted for inflation, the decline was even steeper.

Closer to the war zone, Tel Aviv stocks dropped 20% across the board last week. In Istanbul, the 50-share index of Turkish stocks, which hit a peak 5,960 in late July, closed Thursday at 4,207.

As a glance at the accompanying tables from Morgan Stanley Capital International Perspective shows, Pacific Basin markets were the worst performers in the first week of the crisis.

Measured in dollars, Taiwan (off 21.2%) took the booby prize, followed closely by Thailand (off 20.6%). Hong Kong fell 10.5% in greenbacks, while Singapore/Malaysia tumbled 9.5%. In this region, only Australia (off 1.8%), the Philippines (off 2.3%) and New Zealand (off 2.4%) beat the U.S. (off 3.1%).

Among bigger bourses, the U.K. (off 1.1%) and Canada (off 1.3%) got off lightly. Germany and Japan each fell more than 6%.

With few exceptions, the selling continued on Friday.

* * *

FALLING in four sessions out of five, the 225-share Nikkei index of Tokyo stocks closed Friday at a 1990 low of 27,329.55. The broad-based Topix average followed suit.

Along the way, traders blamed computer-generated programs and general apathy. One broker complained that some of his clients stopped dealing and switched off their news-service screens. Predictions of where this slide will end were notably absent, and probably would be meaningless anyway. The best that can be said about the dismal action in Japan is that Friday's decline of 1% was the smallest of the week.

Hong Kong started with a bang (down 7.4% Monday) and ended with a whimper (off 0.4% Friday). On Monday, with the Hang Seng index at 3,171, broker W.I. Carr said it was "questionable" whether the popular average would breach technical support at 2,950-3,000. Next day, it said: "We can foresee little reason why investors would want to buy at these levels." With the Hang Seng at 3,091 on Friday, Carr saw a downside risk to 2,600, and suggested accumulating "high quality blue chips" stocks below 2,900. The local prime rate was cut from 11% to 10.5% effective today.

Falling in every session, the Taipei Weighted Index of Taiwan shares closed Friday at a 27-month low of 4,094.78. One trader said: "We saw a lack of selling pressure, but buyers still remained hesitant." It was a similar story elsewhere, and could be repeated with variations for some time.

* * *

IN Frankfurt, political reality and economic second thoughts were but two factors that sent the DAX index of closing prices 5% lower, to 1,749.34, Friday. The good news here is that the index bounced off a 1990 low (1,723.68 Wednesday). Whether this was a "dead cat bounce" remains unclear.

For the benefit of new readers, let the record show that this column likes cats. That said, if you throw one off a cliff, it will upon hitting the ground appear to bounce. This doesn't mean that Tabby is alive and well. Hence, the above expression.

Aware that the cost of rescuing the East German economy from insolvency is rising daily, West German Chancellor Helmut Kohl recently has been trying to advance the date of all-German elections from Dec. 2 to Oct. 14.

Initially, he hoped to bolster his own political ambitions by unifying the two nations before the bad news got out. However, opposition parties caught on quickly, and have been stalling, hoping to get themselves elected to solve this mess.

When the dust from the latest political fracas in Parliament settled last week, Kohl abandoned his October dreams and began preparing for a lively debate over the size of a supplementary budget to cover expenses in East Germany in the second half of 1990.

In an interview with a Coblenz newspaper, Guenther Storch, one of seven directors of the powerful Bundesbank, said that the East German economy should begin improving soon, and "within two years can approach West Germany's [economic] conditions." That's a long time off, and leaves ample opportunity for further political infighting.

* * *

THINK camels these days, and the crisis in the Persian Gulf may leap to mind. Think again. Some good news is coming out of another desert-like region, and it involves, yes, camels. Herein lies a hairy saga.

On Aug. 3, the day after Iraq invaded Kuwait, James A. Baker III, U.S. Secretary of State, was in remote Ulan Bator, capital of the Mongolian People's Republic, also known as Outer Mongolia. Washington has long-range but undisclosed strategic goals there (perhaps a satellite tracking station or some other type of listening post), and Baker was the highest-ranking U.S. official ever to visit. Peace Corps volunteers reportedly will arrive soon to teach English. Russian now is the second language.

Boris Shlomm, who just happens to speak Russian, also was in Ulan Bator that day, to sign the first-ever joint venture deal between a U.S. firm and the Mongolian government. Shlomm is president of family-owned Amicale Industries, the world's biggest vertically integrated producer of fabrics and other products from fine camel hair, and the biggest U.S. maker of fabrics from other luxury animal fibers, including cashmere, alpaca and angora.

The $32.5 million joint venture, MongolAmicale, will become Mongolia's only integrated producer and distributor of dehaired camel hair, fine camel hair fabric and finished products. The partners are Amicale Mongolia and the Mongolian Camel Wool Co.

Modern camel hair processing equipment will be installed at a facility in Ulan Bator. When fully operational in 1993, the company initially will process 750 tons of camel hair, said to be less than half of the nation's output.

Behind this venture initially will stand 750,000 two-humped Bactrian camels, the only source of this fiber. In Mongolia these days, camels are herded on horseback, on other camels and on motorcycles, and sheared by hand.

Nearly half of the world's supply of fine camel hair comes from the Mongolian People's Republic, a landlocked nation of 604,000 square miles of mountain forests, steppes and deserts, which sits between the Soviet Union and the People's Republic of China. The rest of the hair comes from China itself.

Like raw cashmere (which comes from goats), camel hair is a mixture of coarse guard hair and fine wool. In a process known as dehairing, proprietary machinery is used to remove the hair. The resulting apparel-grade camel wool is spun into yarn and woven into cloth (either plain or fancy) for jackets, overcoats and scarves. The yarn also can be knit into sweaters.

Until now, cloth production has remained a specialty of the West. Reason: The finished fabric may be available quickly to apparel makers.

Unlike cashmere, camel hair today is an affordable luxury fiber. The reason is elegantly simple. In its raw material form, there's an excess of supply over demand. That's okay with Shlomm. It enables him to make a natural fabric that he says is just as durable as fine wool from sheep, looks great to us, is almost as smooth as cashmere and costs only one-third as much.

Shlomm says that fine camel fabric for jackets fetches $25-$30 a yard, vs. $75-$90 for cashmere, which hit $100 last year against $7-$8 in the early 'Sixties. Thirty years ago, U.S. demand for cashmere drove the market. Subsequently, the fashion industry embraced and abandoned (thank goodness) polyester doubleknits, and natural fibers became all the rage in Europe and Japan. This, and the fact that China began to consume some of its own raw cashmere, drove up prices.

Until Europe and Japan jump on the camel hair bandwagon, it's likely to remain a relative bargain among luxury fibers, Shlomm says. Meanwhile, American women who are afraid of anti-fur fanatics and are looking for another chic coat just might discover camel. All of which helps to explain what a U.S. company is doing in Ulan Bator.

Global Stock Markets

In Local Currencies — In U.S. Dollars*

Index	% Change	8/9	52-wk Range	% Change	8/9	52-wk Range
The World	−4.8	394.9	469.8 - 392.6	−4.6	488.5	571.0 - 468.3
EAFE†	−5.9	560.4	686.6 - 540.2	−5.3	849.5	954.3 - 796.5
Australia	−1.4	322.7	357.0 - 288.8	−1.8	230.6	248.7 - 193.7
Austria	−9.6	570.5	692.4 - 356.5	−8.6	1324.0	1520.8 - 693.7
Belgium	−6.6	606.9	698.3 - 597.3	−5.7	621.0	684.2 - 561.4
Canada	−1.8	384.8	440.8 - 364.9	−1.3	362.7	407.7 - 339.1
Denmark	−4.0	791.6	831.2 - 684.1	−3.2	978.5	1018.8 - 691.4
Finland	−2.1	82.8	124.6 - 82.2	−1.1	87.2	112.1 - 85.1
France	−7.3	498.7	595.0 - 493.6	−6.7	517.8	591.5 - 436.6
Germany	−7.0	280.9	316.2 - 221.9	−6.3	645.0	713.5 - 437.2
Hong Kong	−10.4	2270.1	2660.9 - 1849.0	−10.5	1622.0	1903.5 - 1314.6
Italy	−6.1	475.4	567.9 - 475.4	−5.3	254.9	283.7 - 227.4
Japan	−6.3	1142.3	1666.6 - 1133.1	−6.1	2752.0	4200.5 - 2568.4
Netherlands	−5.7	304.6	346.7 - 305.3	−4.9	622.9	656.2 - 538.3
New Zealand	−4.4	87.4	121.5 - 83.4	−2.4	79.9	108.6 - 72.3
Norway	−3.7	975.3	1036.4 - 711.2	−6.9	1132.2	1218.1 - 732.0
Sing/Malaysia	−9.7	778.3	865.5 - 725.5	−9.5	1326.0	1499.2 - 1143.4
Spain	−8.9	216.4	279.0 - 199.3	−7.9	155.1	175.1 - 128.1
Sweden	−5.3	1435.7	1561.7 - 1232.5	−4.7	1272.6	1368.2 - 993.8
Switzerland	−7.5	200.0	239.9 - 196.7	−5.5	640.8	717.7 - 545.0
U.K.	−2.5	666.4	734.6 - 620.5	−1.1	519.1	561.0 - 407.9
U.S.A.	−3.1	314.5	341.4 - 297.8	−3.1	314.5	341.4 - 297.8

Base Jan. 1, 1970 = 100.
*Adjusted for foreign exchange fluctuations relative to the U.S. $.
†Europe, Australia, Far East Index.
Source: Morgan Stanley Capital International, Perspective, Geneva.

Emerging Markets

In U.S. Dollars*

Index	% Change	8/9	1990 Range
Argentina	−8.9	322.9	648.2 - 132.0
Brazil	−9.5	191.1	341.8 - 90.8
Chile	−2.7	193.6	221.0 - 177.2
Jordan	−9.7	54.3	67.3 - 54.3
Korea	−7.2	133.4	207.1 - 133.2
Malaysia	−10.3	190.8	216.5 - 174.4
Mexico	−0.4	434.1	443.9 - 287.2
Philippines	−2.3	164.3	232.7 - 155.0
Portugal	−8.3	86.6	98.5 - 84.1
Taiwan	−21.2	177.4	537.6 - 177.4
Thailand	−20.6	787.5	1365.9 - 250.2

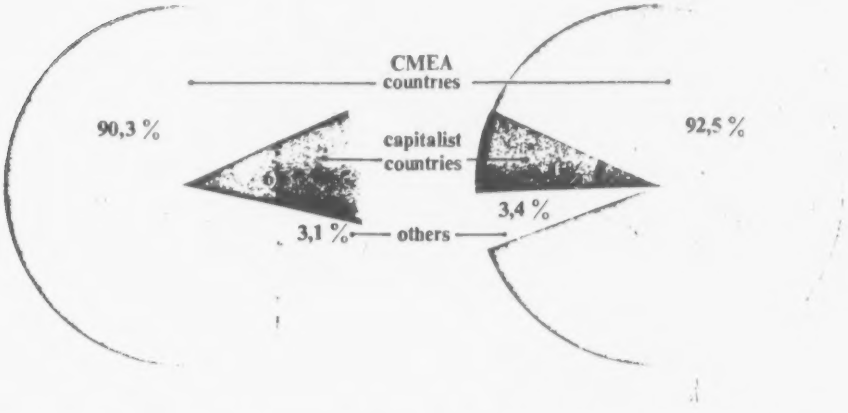
Base Jan. 1, 1986 = 100.
*Adj. for foreign exchange fluctuations relative to the U.S. $.
Source: Morgan Stanley Capital International Perspective, Geneva.

INTERNATIONAL MARKET SHARE OF MONGOLIA'S

REF. 6

EXPORTS (1989)

Value of Exports, tugriks 2217mln



(USSR 73,2 %, Czechoslovakia 4,1 %, Japan 3,4 %, East Germany 3,0 %, Bulgaria 2,9 %, Hungary 2,5 %, Romania 2,1 %, Poland 2,0 %, Yugoslavia 1,3 %, Switzerland 1,1 %, Netherlands 0,8 %, China 0,6 %, United Kingdom 0,6 %, Italy 0,3 %, USA 0,3 %, others 1,8 %)

IMPORTS

Value of Imports, tugriks 2871mln

(USSR 82,7 %, Czechoslovakia 2,2 %, China 2,1 %, East Germany 2,1 %, Poland 1,6 %, Bulgaria 1,5 %, Hungary 1,2 %, Romania 1,2 %, Austria 1,0 %, Japan 0,7 %, Italy 0,5%, Switzerland 0,4 %, West Germany 0,4 %, Yugoslavia 0,4 %, others 2,0 %)

MONGOLIA'S EXPORT & IMPORT PATTERN (with USSR, 1989)

Total	Export 100	Import 100
-machinery, equipment, transport means		32,0
-fuel, mineral raw materials, metals	51,3	32,8
-chemical products, fertilizers, building materials	8,9	8,6
-raw materials of vegetable and animal origin (except food)	5,6	3,8
-raw materials for light industry	7,9	0,7
-industrial consumer goods	14,8	15,2
-foodstuffs	11,5	6,9

MONGOLIA'S TOP EXPORTS

Copper concentrate (351 ths tons), molybdenum concentrate (33 ths tons), fluorspar concentrate (113 ths tons), fluorspar ore (551 ths tons), coal (800 ths tons), sheepwool (4950 tons), sheepwool knitwear (19,7 mln tug), carpet (1900 ths m^2), dehaired cashmere (480 tons), cashmere tops (46 tons), cashmere knitwear (50,5 mln tug), camel wool (2157 tons), camel wool blankets (9,4 mln tug), camel wool knitwear (2,5 mln tug), hides and skins (625ths pcs), leather coats (75,3 mln tug), sheepskin coats (58,6 mln tug), furs (1,5 mln tug), fur coats (14,2 mln tug), sawn timber, woodenware (51,3 mln tug), cement (175 ths tons), ceramzit (148 ths m^3), lime (3,6 ths tons), ceramic tiles (308 ths m^2), cattle, meat (115,6 ths tons), casing (3 mln bundles), wheat (19,2 mln tug), alcoholic beverages (1206 ths litres), postage stamps (4,3 mln tug).

WRITTEN COMMENTS
ON THE
AGREEMENT ON TRADE RELATIONS
BETWEEN
THE GOVERNMENT OF THE UNITED STATES
AND
THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BULGARIA
for submission to the
SUBCOMMITTEE ON TRADE
of the
HOUSE COMMITTEE ON WAYS AND MEANS
by
JOHN F. PITTAS*
JULY 9, 1991

The U.S. Section of the Bulgaria-U.S. Trade and Economic Council, founded in 1975 and operating under the aegis of the U.S. Chamber of Commerce, is pleased to submit these comments on the Agreement on Trade Relations between the government of the United States and the government of the People's Republic of Bulgaria.

The Bulgaria-U.S. Trade and Economic Council is a bilateral business organization whose main objectives are to encourage and facilitate trade and investment between the United States and Bulgaria and to help promote the development of the private sector and a thriving market economy in Bulgaria. It is autonomous in matters of policy. The U.S. Section of the Council consists of senior executives of 17 U.S. companies having actual or potential trade and/or investment activities in Bulgaria. The counterpart group in Bulgaria includes principal executives from industry, banking and foreign trade organizations, as well as -- in recent months -- representatives of the emerging private sector.

The Council achieves its goals by actively working to improve legislation and the regulatory climate for trade and investment in both the United States and Bulgaria, by acting as a clearinghouse of information on issues of importance, and helping to build relationships that will lead to further strengthening of the institutions in Bulgaria committed to the market economic reform process there.

The members of the U.S. Section include most of the major American firms currently doing business with Bulgaria. A roster of member companies is attached.

Position on the Bilateral Trade Agreement

The U.S. Section of the Bulgaria-U.S. Trade and Economic Council strongly urges approval of the Agreement on Trade Relations between the government of the United States and the government of the People's Republic of Bulgaria. The Bulgaria-U.S. Trade and Economic Council was pleased to host the signing of this agreement on April 22, 1991 at the U.S. Chamber of Commerce as part of a special conference on Bulgaria. That signing, coupled with the earlier waiver of the Jackson-Vanik amendment to the 1974 Trade Act, is integral to setting in motion mutual trading status.

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* Chairman, U.S. Section of the Bulgaria-U.S. Trade and Economic Council and President and Chief Executive Officer of UOP, Inc.

The Council believes it is of economic and political importance that this trade agreement receive swift approval in Congress. The trade agreement and the important side letters on intellectual property rights, tourism, and business facilitation set the ground work for a full-fledged economic relationship between the United States and Bulgaria and provide an added level of protection for American and Bulgarian businesses. Beyond the tangible benefits derived from this agreement, Congress will send a clear message to the people of Bulgaria that we support their political gains and nascent economic reforms and welcome their efforts to join the international community of democratic free-market nations. Bulgaria is at a critical juncture in its reform process. The sweeping changes, from the free election of Parliament and the development of a multiparty system to wholesale economic reform in key areas such as foreign investment and privatization, have not happened without a price to the people of Bulgaria. The approval of the trade agreement would go a long way toward securing continued efforts in this direction.

Benefits for the United States

In 1990, total trade between the United States and Bulgaria was approximately $126.6 million, the smallest for the Central/East European region. Traditionally, U.S. exports to Bulgaria have included aircraft and parts, soybeans, coal, corn, industrial furnaces, and computers, while imports from Bulgaria have included tobacco, fertilizers, petroleum products, cheese, wine, and typewriters. Although in the past few years, agricultural products (primarily corn) have made up the bulk of U.S. exports, they dropped considerably in 1990.

There is considerable room for growth in bilateral trade between the United States and Bulgaria. Most-favored-nation (MFN) status establishes a more stable economic environment which will foster growth of bilateral trade with Bulgaria. With favorable tariff treatment U.S. companies can make the long-term commitments necessary to improve the quality of Bulgarian goods for export. This, in turn, will generate the hard currency needed to increase U.S. exports to Bulgaria.

In addition, for the United States, mutual normalized trade treatment means an improved climate for U.S. goods as we compete with our European and Asian allies. Passage of this agreement will advance further mutual agreements between our countries on taxation and investment issues such as profit repatriation in hard currency, capital transfers, and national treatment in Bulgaria. Of vital importance to American businesses, the government of Bulgaria commits in the trade agreement to strengthen its intellectual property legislation in the areas of patents, copyrights, and trademarks and to introduce new legislation in the areas of proprietary information (trade secrets). The trade agreement, as such, acts as a linch-pin to a broad future relationship beneficial to both countries.

The waiving of Jackson-Vanik and the approval of the bilateral trade agreement, by law or by tradition, also sets in motion a plethora of additional activities for improving trade and investment for U.S. companies. On June 7, 1991, Vice President Quayle was in Sofia to sign the treaty for the Overseas Private Investment Corporation (OPIC), which allows this important U.S. agency to begin its whole range of services in Bulgaria for American firms, including political risk insurance, financing, and investment advice. Bulgaria can now be eligible for government-guaranteed financing through the Export-Import Bank and the Commodity Credit Corporation. Negotiations are underway for a bilateral investment treaty. Finally, U.S. companies doing business with Bulgaria can now take advantage of the important programs included in the American Business and Private Sector Initiatives and the Trade Enhancement Initiative for Central and Eastern Europe instituted by the U.S. government this past March.

Benefits for Bulgaria

For Bulgaria, the primary economic impact of the trade agreement, in the form of MFN status, will be to make Bulgarian exports to the U.S. more price competitive and enable Bulgaria to earn more hard currency from its trading activities. In some cases, this will mean a duty reduction of two to four times the current level. While there is no expectation this will signal an immediate increase in Bulgarian imports, due to the fact that Bulgaria must first improve its production of goods for export, it does provide the necessary framework for such improvement. However, more hard currency reserves would help Bulgaria both reduce its crippling external debt and purchase badly needed imports, such as energy, which are critical to the manufacture of more export products.

Bulgaria also benefits from the extended level of support the trade agreement will provide. The trade agreement will:

- support Bulgarian private enterprise by providing a base upon which long-term trade and investment relations can be built;
- encourage the further development and implementation of reforms by providing recognition from the U.S. of progress made by Bulgaria to date; and
- lock domestic reforms in place by extending Bulgaria's commitment to the international arena. To reverse its course of reform, Bulgaria would have to violate its agreement with the U.S. Since this is unlikely, the Agreement lends added credibility to Bulgaria's liberalization program.

Conclusion

The euphoria created by the sweeping political and economic changes in the last 18 months has now settled into the reality of the enormous job the Bulgarians must undertake in order to continue down the road to real and lasting reform. The United States is in a position to provide the tools -- primarily in the form of accelerated trade, investment and technical assistance -- that Bulgaria needs to succeed. It is appropriate that Bulgaria now joins the other countries of the region who already enjoy a greater bilateral relationship with the U.S. and have proved they are worthy to be a close political and economic ally of our country.

The approval of the trade agreement will act as a symbol to both the Bulgarians and the American corporate community that Congress supports these ideals. The long-term economic well-being of both nations will benefit from approval of the agreement.

Thank you for the opportunity to provide the views of the U.S. Section of the Bulgaria-U.S. Trade and Economic Council.

Bulgaria-U.S. Trade and Economic Council

Chamber of Commerce
of the United States
1615 H Street, N.W.
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Cheromi Inc.

Clark Material Handling Co.

Coca-Cola East Central Europe GmbH

Dow Chemical USA

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Honeywell Inc.

International Executive Service Corps

Manufacturers Hanover Trust Co.

Material Handling Systems

PepsiCo Wines & Spirits International

Socotab Leaf Tobacco Co., Inc.

UOP, Inc.

Universal Leaf Tobacco Co., Inc.

V.M.D. Enterprises, Inc.

The Council operates under the administrative aegis of the Chamber of Commerce of the United States but is autonomous in matters of policy.

WILEY, REIN & FIELDING
1776 K Street, N.W.
Washington, D.C. 20006

Comments Submitted by Consort International in Support of Approval of the Trade Agreement Between the United States and Bulgaria

On behalf of Consort International, an Indiana Corporation engaged in a successful joint venture with two Bulgarian firms, Wiley, Rein and Fielding submits the following comments in support of approval of the trade agreement between the United States and Bulgaria.

Consort has been engaged in manufacturing violins and other musical instruments, principally for the student market, for many years. In 1984, Consort was approached by Bulgarian officials anxious to sell Bulgarian-made instruments in the West. Recognizing that the Bulgarian instruments were of a promising design but poor quality, Consort worked with the Bulgarian manufacturers for some years to raise their quality to western standards and to develop the market for these instruments in the west. Consort now imports instruments from Bulgaria in rough form and finishes them in the United States.

This project has gone so well that in 1988 Consort was reorganized into a joint venture with 49% participation by two Bulgarian firms, FTC Hamus and Sofia Press. This is one of a very few -- perhaps the first -- instance of a hard currency investment in a western firm by what was then still an Eastern Bloc country.

Building on this success, Consort is now seeking to develop other joint ventures in Bulgaria in housing, food processing, and publishing.

Consort believes that approval of the Trade Agreement between the United States and Bulgaria would be a major step forward in normalizing economic relations between the two countries. Granting MFN treatment to the instruments that Consort now imports from Bulgaria in semi-finished form and finishes with American workers would save the company thousands of dollars a year in reduced tariffs. This would allow Consort to compete more effectively with other totally foreign-made instruments. Even more important, however, would be the stimulus to other joint ventures that MFN status would provide.

Consort has found that Bulgaria presents trade and investment opportunities that have been largely overlooked by American business. Bulgarians are energetic and well-educated -- indeed, the country has as high a proportion of technically educated people as any other country in the world. Bulgaria is relatively free of the ethnic tensions that threaten political instability in other countries of the region, and it is making steady progress in its transition to a market economy and a democratic political system.

Consort also feels that Bulgarians prefer American companies to other prospective joint venture partners. To maintain and strengthen this preference for Americans and for the American-style free market system, it is important that our government move rapidly to normalize trading relations.

Consort believes that the Trade Agreement will serve the interest of both the United States and Bulgaria, and urges the Subcommittee on Trade to recommend its approval.

Respectfully submitted,

WILEY, REIN & FIELDING

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July 1, 1991

Mr. Dan Rostenkowski
Chairman
House Ways and Means Committee
Room 1102
Longworth Building
Washington, DC 20515

Dear Mr. Rostenkowski:

Curtis is the first American company to undertake a manufacturing joint venture in the Republic of Bulgaria, as a majority owner of Curtis/Balkan, Sofia. Our activities now are approaching the end of their second year, and we are making progress in the manufacture of the Curtis 933/3 battery gage and controller (which is the successor to our successfully developed "fuel" gage which was so effectively used on the three lunar excursions during Apollo 15, 16 and 17), and our speed controls for electric vehicles.

This factory is supplying the needs of the Bulgarian manufacturer Balkancar, and we have most recently utilized our Bulgarian facility to introduce this American technology to several of the large industrial concerns in the Soviet Union.

The manufacture and products of Curtis/Balkan are for use in the former East Bloc countries. We are involved in some counter trade, the pursuit of which is severely hampered by the present exclusionary tariffs imposed on Bulgarian manufacture.

Bulgaria is a country emerging from forty years of communist rule. It is an important link for American companies to serve the former bloc countries. It is vital for the United States that our commercial activities take place on the same level playing field which our principal competitors from Europe are enjoying. Bulgarian companies doing business in Western Europe sell product with a 6% tariff while Bulgarian/American trade is severely hampered by the current lack of most favored nation status.

While American products are favored both in Bulgarian and the Soviet Union over products manufactured in Western Europe, the inability to enjoy a favorable market in terms of counter trade products provides a substantial handicap.

May I urge you to approve as quickly as possible the U.S./Bulgarian trade treaty!

Very sincerely,

E. M. Marwell

Edward M. Marwell
President

EMM/mp